

SSE ANNUAL GENERAL MEETING

Full transcript of the SSE AGM 2020 video presentation given by Chair of the SSE plc Board, Richard Gillingwater CBE

12 August 2020

Welcome to SSE's 2020 Annual General Meeting. I trust you are well and adjusting to something approaching normal as we all adapt to life after lockdown.

I'm truly sorry that I can't be with you in person. The materials we are publishing today are, however, intended to strike a balance between the Board's ongoing commitment to shareholder engagement and our determination to keep you and our colleagues safe through social distancing.

PROMOTING SSE'S LONG-TERM SUCCESS

I'd like to begin by thanking SSE's employees for the way they have responded to the coronavirus outbreak. We can look back with pride at the way SSE fully played its part in the fight against the virus by maintaining critical energy supplies, while also setting a solid platform for growth.

This has been a time of unprecedented business challenges and my fellow Board members have provided guidance and support throughout while continuing in their efforts to promote the long-term success of the Company.

While we've not entirely escaped the effects of coronavirus, the nature and structure of our business has given us greater resilience than many others and we look forward to our future role in the green economic recovery with genuine optimism.

I also extend a warm welcome today to Dame Angela Strank, who joined us as a Non-Executive Director in May and to Sir John Manzoni, whom we recently announced will succeed me as Chair from the 1st of April next year. Sir John will be joining the Board

as a non-Executive Director from September, which will allow plenty of time for a smooth handover of responsibilities. I look forward to working with Angela, Sir John and the rest of the Board for the remainder of my tenure.

RESPONDING TO YOUR QUESTIONS

SSE is committed to open, transparent engagement with its shareholders and we understand that the AGM, and the opportunity it provides for shareholders to engage directly with their representatives on the Board, is an important part of that.

I regret that, due to the need to maintain social distancing measures, we have not been able to take direct questions from you at today's meeting in Perth. However, your pre-submitted questions on AGM business and Company performance have been most welcome. Although we haven't been able to answer every question, the Board has sought to address the key emerging themes in the Q&A video published this morning.

In the coming days, we also intend to publish written responses to several questions we have been unable to cover in sufficient detail due to the format of today's event.

For any specific questions about your shareholding you can of course get in touch with our registrar, Link Asset Services. Their contact details will be provided at the end of this presentation and more information is available at sse.com/investors.

WORKING THROUGH CORONAVIRUS

The safety-first approach we have taken to today's meeting is consistent with SSE's response throughout

the coronavirus outbreak. We moved quickly to enable home working for those employees who could do so and supported our key workers in operational roles with SSE's long-standing safety licence of "if it's not safe, we don't do it".

SSE's focus throughout the height of the pandemic was on supporting the safe and reliable supply of the electricity needed in the coronavirus response – something we did successfully. I'm pleased to say that we did not call on any public financing support or the Government's furlough scheme, opting instead for a flexible approach to working and retention of employees on full pay.

A YEAR OF SOLID DELIVERY AND STRATEGIC PROGRESS

SSE is, fundamentally, a resilient business with a clear strategic focus; even more so now that we have completed the sale of SSE Energy Services to OVO and re-shaped the Group around our core renewables and regulated electricity network businesses.

As we noted in our Preliminary Full-year Results on 17 June, coronavirus had some impact on financial performance in 2019/20 but, coming as it did in the final weeks of the year, the outbreak did not detract from 12 months of solid delivery and strategic progress.

Challenges lay ahead, however, not least for the financial after-effects that we expect from the pandemic in the remainder of 2020/21. As stated in June, we expect to see short-term impacts on our business that are likely to be substantial in the context of one year, but largely temporary.

As we emerge from coronavirus, we have set ourselves two clear and related financial objectives:

- sustaining the dividend payments on which pensioners and savers depend for income; and
- promoting the long-term success of the Company for the benefit of all stakeholders.

Achieving these financial objectives will require hard work, discipline and the delivery of a three-point plan for maintaining good liquidity, managing cash outflow and securing value from disposal of non-core assets.

DELIVERING OUR STRATEGY

SSE aims to build on recent progress in the delivery of its strategy, which focuses on successful development, efficient operation and responsible

ownership of low-carbon energy infrastructure. The delivery of Beatrice wind farm and success in securing offshore Contracts for Difference showed yet again SSE Renewables' capability and competitiveness as a world-class developer. We plan to build on that success – both offshore and onshore – with investment in Seagreen, Dogger Bank and Viking wind farms.

SSEN Transmission has set out a stakeholder-led business plan, 'A Network for Net Zero', which proposes a minimum total expenditure of close to £2.4bn up to 2026. We were disappointed with Ofgem's draft determination on the business plan and we remain concerned about the implications of this for the UK's ability to deliver a green recovery and meet its net zero ambition.

However, during the consultation process we will continue to engage with Ofgem and other stakeholders on the need for significant capital investment in building the networks required to deliver a zero-carbon energy system, and the need for that investment to be rewarded with adequate returns.

Overall our regulated networks businesses are a core part of our business and have a key role to play in an increasingly electrified system and the transition to net zero.

Along with SSE Renewables, these core, low-carbon businesses are at the very heart of a new five-year investment and capital expenditure plan, accounting for 90% of the anticipated spend of £7.5bn up to 2025.

REALISING OUR VISION

While SSE is generally considered an early adopter of good ESG disclosure and performance, the ongoing growth of investor focus on environmental, social and governance issues creates an opportunity to focus on continuous ESG performance improvement.

Having a clear vision of being a leading energy company in a net-zero world certainly helps, and to measure progress against this we have a series of direct and indirect medium-term carbon targets aligned to the Paris Agreement and verified by the Science Based Target initiative.

These include a more stretching 2030 goal for climate action, targeting a deeper reduction of 60% – rather than our previously set 50% – in the carbon intensity of electricity we generate, compared with

2018 levels. This confirms our strategic commitment to creating value for all stakeholders through the transition to net zero, and lend rigour to the way in which we hold ourselves accountable to that commitment.

REMUNERATING OUR SHAREHOLDERS

Mindful of the financial recovery and strategic progress that was delivered in 2019/20 – and the resulting rises in adjusted operating profit, adjusted profit before tax and adjusted earnings per share – the Board has recommended a full-year dividend of 80 pence per share with a final dividend of 56 pence that should be paid on 18 September 2020.

Underpinned by a three-point plan of maintaining good liquidity and effective financial management, reducing planned cash outflow and securing value from disposals, the target dividend for 2020/21 remains 80 pence plus RPI inflation. And, in line with that, the Board expects to declare this November an interim dividend for 2020/21 of 24 pence plus RPI inflation, to be paid in March 2021.

Looking further ahead, if our forecast of the impact of coronavirus is broadly correct, we remain confident we can deliver our five-year dividend plan to 2023.

CREATING VALUE THROUGH NET ZERO

Few could have predicted the immediate impact of coronavirus on us all, or its long-term consequences, but the same can't be said of the global climate change emergency.

I'm a firm believer in the principle that the purpose of business is to find profitable solutions to the problems of people and the planet. There is no bigger problem than the climate change challenge and SSE has an important role to play in addressing it.

Finally, if you will allow me a personal note before closing. This being my last SSE AGM, it will be for my successor John Manzoni to build on the solid corporate governance foundations that I inherited and I hopefully have developed over the past five years.

It has been a real privilege to lead the SSE Board during this time. Looking ahead, I have full confidence that Sir John's arrival, the continuity of a dedicated Board, committed executive team and talented employee base will ensure the long-term success of the Company and ongoing creation of value for you, our shareholders, and for society through contributing to a green economic recovery and the transition to net-zero emissions.

RESPONDING TO SHAREHOLDER QUESTIONS

Thank you for taking the time to watch this short presentation, and please do take a moment to watch the Q&A session we've also published this morning, in which our Chief Executive Alistair Phillips-Davies, and other Board members and I have endeavoured to respond to shareholders' questions.

Thank you.